

## REGIONALISM AND REGIONAL DEVELOPMENT: DIFFERENCES AND CONTEXTS IN THE NEW PARADIGM OF A GLOBALIZED ECONOMY<sup>2</sup>

This paper seeks to define the nature, differences and fundamental aspects of two contemporary phenomena – regionalism and regional development, and doing so at the background of the globalized economy as the basic framework for their existence. Outlining the contemporary global economy as a new paradigm for a research of both phenomena as well as their relationship with the processes of liberalization, regional economic integration, fragmentation and regional development creates first part of this essay. Looking at the deeper concepts – regionalism within the meaning of the “new” regionalism and regionalism in the sense of “regional development” (scope of a geographical area), especially with regard to their differentiation, is elaborated in the second part of the paper. The last third part deals with a basic context of regionalism and regional development i.e. the impact of regionalism on the location of production and the growth of competition and market expansion.

**Key words:** globalization, paradigm, regionalism, regionalization, regional development.

Е. Цигелкова, PhD, профессор,  
г. Прага, Чехия

## РЕГИОНАЛИЗМ И РЕГИОНАЛЬНОЕ РАЗВИТИЕ: РАЗЛИЧИЯ И СОДЕРЖАНИЕ В КОНТЕКСТЕ НОВОЙ ПАРАДИГМЫ «ГЛОБАЛИЗИРОВАННОЙ ЭКОНОМИКИ»

В статье предпринята попытка определить характер, различия и фундаментальные аспекты двух современных явлений – регионализма и регионального развития и делает она это в контексте глобализации экономики как основы их существования. В первой части статьи излагается современная глобальная экономика как новая парадигма для проработки таких явлений, как их взаимосвязь с процессами либерализации, региональной экономической интеграции, фрагментации и регионального развития. Вторая часть статьи углубляется в суть концепции регионализма как в смысле «нового» регионализма, так и в смысле «регионального развития» (в рамках географической области), особенно с учетом их дифференциации. Третья часть имеет дело с базовыми аспектами регионализма и регионального развития, т. е. рассматривается влияние регионализма на стратегию размещения производства, рост конкуренции и расширение рынка.

**Ключевые слова:** глобализация, регионализм, регионализация, региональное развитие.

When in 1962 the American philosopher and historian of science Thomas Samuel Kuhn

[13] defined his theory of scientific revolutions, he was convinced that it was not applicable to social sciences, since they do not have a single paradigm<sup>3</sup> and there always exist rival schools, each of which constantly challenges the basis of the others. Despite of that, a “paradigm” as

<sup>1</sup> Eva Cihelková – PhD, professor at the World Economy Department at the Faculty of International Relations, University of Economics, Prague; e-mail: eva.cihelkova@vse.cz.

Цигелкова Ева – PhD, профессор кафедры мировой экономики факультета международных отношений Высшей школы экономики в Праге; e-mail: eva.cihelkova@vse.cz.

<sup>2</sup> Статья подготовлена при поддержке факультета международных отношений (проект «Устойчивый бизнес»).

a key term of his theory became widely used also in economics. It determines a kind of set of assumptions forming a framework for the existence of a phenomenon/certain phenomena. Such phenomena are in this paper regionalism and regional development, which will be examined as distinct effects in the framework of the so called new paradigm of a globalized economy. The paper is divided into three parts. The first one attempts to outline a set of generally accepted fundamentals on which the view of the following economic phenomena is based – regionalism and regional development. The second one will seek a resolution of the nature of the observed phenomena and the third one is striving to underline their relations in the context of the examined paradigm. The aim of this paper is therefore to answer three questions: What new features are characteristic for the current paradigm of the globalized economy, which affects regionalism and regional development in the world? What is the difference between regionalism or regionalization and regional development? And how does regionalism influence regional development?

**Globalized economy as a new paradigm of the research of regionalism and regional development.** The turn of the 1980s and 1990s began with the current stage of development of the world economy. The phase initiated revolutionary changes of the countries of former world socialist system and as a consequence the global situation in the world changed (the emergence of a bipolar world order, shift from confrontation to dialogue, revival of pan-European values, changes in the political map of the world, transformation of socio-economic systems in Central and Eastern Europe and the related transformation processes, reforms affecting the world and the world economy – deregulation, process of democratization in the

world but also the increasing terrorist attacks in the world). In parallel with the changes of the “external” conditions, which, as a whole, meant a comprehensive social transformation in a large group of countries with implications for the functioning of the entire global political and economic system, also long-term trends guiding and influencing the functioning of the world economy entered into a new stage of their development.

Among the most important long-term trends in the global economy belong continuing internationalization and deepening globalization. Internationalization is an objective fact of the ongoing overgrowth of the economic life of nation states over their borders. This causes the expansion of international economic relations, which connect the individual national economies. Internationalization is the basis for a long-term development of globalization, which is becoming the new quality of the process in the 1980s. Globalization can be seen as a dual process, involving not only the ever intensifying expansion of economic activities of nation states over their borders, but also the functional integration of geographically dispersed activities of firms. Its main driving forces are mainly new technologies and innovations, strategies of transnational corporations, liberalization of economic policies, and multi-level liberalization of external economic relations, in particular the movement of goods, services and capital.

The ongoing internationalization and the growing globalization have resulted in the homogenization of the world economy, which is associated with scientific and technological progress (accelerating innovations due to the international coordination), but especially with the strengthening of market relations in the world economy, which have now essentially become all-encompassing. Homogenization is ironically reflected in the differentiated development of the world since the rise of market relations on an international scale is associated with increasing international

---

<sup>3</sup> T.S. Kuhn made up a theory of scientific revolutions based on the history of natural science. As a paradigm he considered "generally recognized scientific results [model examples], which at the moment represent, for a community of experts, a model of the problems and a model of their solutions" (Kuhn 2007:10).

competition, which is dealt by individual countries and groups in different ways. Internationalization and globalization have further resulted not only in growing dependence (interdependence) between different entities, and their integration into a single unit (including development of corporate and economic crisis due to spillover effects), but also lead to fragmentation of production, territories of states and global activities (into groups states/regions). Production process is divided into various activities, which are placed in different places in the world and become the basis for the action of multinational companies (functional integration). With the fragmentation of production relates the fragmentation of the territory of the state in which the activities are undertaken. The fragmentation of the traditional economic space of the state occurs because of the clustering of economic activities in cities where larger markets are created, there may be a lower cost of production inputs due to increased competition firms and lower transaction costs for their provision (due to the closeness of companies), which may be reflected in the growth of economies of scale. Adding space to technological and organizational structures is the way how clusters are formed. There is the fragmentation of global activities in individual countries or regions.

General development of market relations among actors in the world economy is accompanied by pressure for liberalization. Removing barriers in economic relations among actors in the world economy takes a form of weakening of multilateralism, rapid development of regionalism (see below) and under the development of the countries also the expansion of unilateralism. Complementarity and compatibility of different levels of liberalization gradually lead to the so-called open regionalism. While as a result of globalization, the world economy is becoming an interconnected system (more integrated), as a result of regionalism, according to some opinions, the world becomes more fragmented.

All these aspects are in detail described in the monograph by E. Cihelková [7].

For individual actors to compete successfully in a global competition, they must respond appropriately and increase their flexibility. One of the adequate responses to increasing global competition is liberalization, which in the context of globalization becomes another significant attribute of the global economy. It is represented not only by the multilateral trade negotiations under the WTO but also by unilateralism and regional integration. Globalization is not only a major driver of liberalization, but also changes the shape of the level of liberalization, and by extension the entire world economy. On the other hand, all levels of liberalization lead to the development of international flows of goods, services and factors of production; liberalization is considered to be one of the causes of globalization. As globalization is the reason for liberalization (increasing flexibility of world economy to cope with the globalization), the relationship of globalization and liberalization both processes bilaterally and ultimately lead to further interconnection of the global economy and dependence of their actors [7, p. 77].

At the regional level, liberalization takes the form of regional liberalization the platform of which are relatively homogeneous regions (e.g. the European Union or NAFTA) or trans-regional relations between important trading and political partners (e.g. USA–Australia, China – ASEAN), whose interest in liberalization of mutual relations is greater than under the multilateral negotiations. In both cases we are talking about regional integration groupings. The concept of regionalism emerged in the 1960s. One begins to talk about regionalism at the moment when regional integration has reached certain intensity and began to assert itself as the dominant tendency in the world economy. The third wave of its development took regional integration in the early 1990s, when it hit the world economy by an unprecedented pace and the expansion

of new types of regional agreements and the overall change in approach to regionalism. In 1993 J. Bhagwati [3, p. 22] called this stage a “new” regionalism. Its original features are expansion of international trade and foreign investment, boost of numerous regional grouping, which originated in the second stage but was not too successful as well as emergence of new regional entities of a modern type.

The fragmentation of the world economy as a result of the new regionalism (and regional integration at all) confirmed that the concept of region belongs among key geographical concepts. Its understanding and definition changed in the course of development of geographical thinking as the view and definition of globalization and regional integration/regionalism changed and has always been greatly influenced by the prevailing paradigm of the time. A region is by P. Lame generally defined “as a more or less bounded territorial unit, which due to its unity, uniformity and conformity of the characters or a specific organizational principles differs from other territorial units.” Looking at the region as a socio-spatial unit there is a need to distinguish whether it is local (micro-regions) level, larger area – region or historical lands (semi-regions), states or groups (e.g. the EU), continents or even regions of the global level (macro-regions).

From this perspective, it is clear that the fragmentation occurs, as mentioned above, not only at the level of global activities of states at the international/supranational level, but also within the traditional economic space of the nation state. This creates a different type of regionalism, which aims to take use of the potential of the inner territories regions within the state for the benefit of its future development. P. Chromý [4] believes that these “regions are not natural entities for which they are deemed to stand for but rather they are political and social creations (constructions)”. “Thus regionalism cannot be considered as an entirely internal matter of the actors in the area (the product of their activity), but in its

manner for an ideology, which is promoted both by actors inside and outside the region. In contrast to a traditional regionalism, which was based on the “bottom-up approach” – from the regions – and was the result of the inner attempt of regional elites and the population of the regions for emancipation (both social and spatial), the contemporary (neo) regionalism is initiated “top-down” (from institutions of the EU) and its aim is primarily the activation of regional communities, stakeholders and actors striving for regional development”. Like states are transient or regional integration groupings, respectively, the regions within states are transient in time, too. The change concerns not only their importance or meaning, nature, function, integrity but also their shape (boundaries) and perception (outside and inside).

The global economy as a new paradigm, i.e. a set of assumptions forming the framework for the existence of regionalism within the meaning of the “new” regionalism and regionalism in the sense of “regional development” (boom geographical area), thus creates conditions for closer examination of the two phenomena.

**Difference between regionalism and regional development.** The concepts of regionalism within the meaning of the “new” regionalism and regionalism in the sense of “regional development” (expansion of the geographical area) are often confused due to the ignorance of the nature of the matter. Sometimes they are substituted deliberately thanks to a category of “new” regionalism through which some authors dealing with regional policy reflect a new approach to regional development and development policy for which a decentralization and the emphasis on endogenous development factors (the factors that influence the development of the region from inside – regional innovations, development strategies etc.) are characteristic. In fact, both types of regionalism differ. While regionalism in the meaning of “new” regionalism can be defined as a business or

economic policy, respectively, which leads to the liberalization of relations between two or more countries, thus contributing to their closer ties and mutual integration [5, p. 808], regionalism in the sense of “regional development” represents the ideas and movements whose goal is to take use of the internal potential territory for the benefit of its future development.

Traditional regionalism was associated with provincialism, uncritical patriotism and by the law of people living in a particular area reflecting the historical roots and their search, while the modern regionalism lies in the assumption that the optimal development cannot be achieved “top-down” or from “outside”, thus thanks to government support of the programs or supranational organizations, but namely due to the activation of the endogenous potential of these areas, the activity of the region (mobilizing of actors and of human and social capital) and via supporting civic initiatives [4, p. 3]. So if we start from the finding that while the “new” regionalism is the process taking place in the sphere of international economic relations, the regional development is concerned with economic and social development within nation states, we can characterize both phenomena as different.

Many prominent economists were dealing with the definition of new regionalism. Most accurately defined its essence Jean B. Grugel [9, p. 605], according to whom it is a “project of a global transformation driven by state.” Specifically he explains that it is a state strategy designed to minimize the risks under uncertain conditions of a globalized world economy by promoting activities at the regional level. For some states this means adopting a flexible strategy to improve their global market position (or rather the global market position of companies that are settled in its territory), for the others it means the adoption of defence strategies ensuring the protection of an access to markets and the inflow of investment in the context of increased global competition”. In other words,

regionalism is, in relation to globalization, a phenomenon acting cross-directionally as well as directly to achieving the main function of the global economy – increasing the well-being of the world’s population through more efficient use of available resources. While the previous stages of regionalism did not relate only with formalized regionalism, new regionalism is always a contractual integration. Regional preferential trade agreements policy considerably exceeds the second wave of regionalism, both in terms of the choice of partner countries as in the number, content and nature of the agreements. New regionalism is characterized by openness to global capital. Also Björn Hettne [10, p. 545] emphasizes the deliberate and institutionalized nature of the new regionalism when he stresses the difference between regionalism and regionalization (see below).

Regionalism in terms of regional development was defined as the work of the Finnish geographer [14]. He describes such regionalism as socio-spatial process of the emergence (institutionalization) of the region, “in which there is room unit as part of the spatial structure of the society and becomes visible and clearly identifiable in various spheres of social practice and social awareness. Initiatives of individuals, both internal and external image of the region, the name of the region, the creation of regional institutions and symbols, educational system, regional literature, media etc. are considered as the key parts of the process of forming the region. As a driving force shaping the region and necessary part of his existence is called the relationship of people to the area, their regional identity” [4, p. 2]. P. Chromý adds to this definition that besides the evaluation state and development of the region, among the key themes that geographers currently deal are main problems associated with their development. “Both in terms of its own territorial (regional) development, which includes planning, preparation and implementation of development projects,



identifying and exploiting the potential of nature, the mobilization of human resources (potential actors and subjects of development), the local economy, options to use the infrastructure etc. and also in the context of changing regional relationships (within regions and between regions), but also in relation to the changing priorities of regional policy (institutionalized solutions development strengths or weaknesses of foresaid regions, formulating priorities, strategies of their fulfilment etc.)". Regarding the definition of the development of the region he then points out that the traditional regionalism in terms of the development of the region (see above) gets in contrast with the "new" European regionalism, which is promoted as a logical response "to a deepening globalization and integration, as a kind of a counter current to the ongoing process of unification and in its own way it expresses the concern about the depletion of cultural diversity, loss of unique or specific material and spiritual values, loss of plurality of identities but on the other hand as an expression of the efforts to weaken the role of nation states and the central governments" [4, p. 4].

In connection with both regionalisms it is necessary to distinguish the concepts of regionalization, too. While in the case of regional integration, which is the process taking place in the sphere of international economic relations, the regionalization is discussed in relation to pre-phases of the institutionalized economic integration, which mean more a form of cooperation rather than integration between engaged states. These are so called regional fora and the government driven integration. Regional forum is a kind of an intergovernmental grouping that works on the basis of non-binding recommendations, open dialogue and consensus decision making. The regional forums are mainly groupings with a large number of participants working to promote common prosperity and closer links between geographically remote areas (APEC). Government driven integration is an

international grouping, which is based on the governmental decisions leading to a gradual reduction of barriers to trade and investment. Granted preferences between states on a contractual or non-contractual basis however do not reach such a degree that it is possible to speak about a free trade area or a customs union. Thus groupings may take the form of a preferential trading area (e.g. SAPTA – SAARC) or follow to great extent political objectives, which the economic liberalization follows later (a good example is the beginnings of regional integration within the ASEAN).

In the case of geographic regions the regionalization is mainly a process towards the definition of (forming) regions and also the product of this process – the image of the region (its structure) [2, p. 25]. Any such definition is a kind of subjective theoretical concept as in reality the regions do not exist. The definition of regions is carried out on the basis of two criteria –an objective one that means the strength of the links between the components of the region and a subjective one (based on research tasks). The aim regionalization is to establish typical features, processes, methods of development and linkages so that the characteristics of the region can be identified. When doing regionalization it is possible to follow a "bottom-up" or "top-down" approach. The bottom-up regionalization stems from the creation of basic units. Two or more units with mutually stronger links between each other than in relation to the surrounding units then form a region. The bottom-up regionalization allows for reducing a level of subjectivity in defining regions. The top-down regionalization is about defining typical territories of the region. In practice simple descriptions of the various kinds and categories of the region are used- micro, macro and semi-regions. The concept of a sub-region is used to express the hierarchical subordination.

In terms of a theoretical discipline is the first type of regionalism (new regionalism) a subject of research of international economics, the second one of spatial (regional) economics.

International economics is a science that deals with economic relations, particularly in terms of international trade and international finance. The new regionalism as a certain “quantity and quality” indicator of regional economic integration is a part of an international economics that via the theory of international trade and the subsequent integration theory examines the impact of regional trade agreements on participating states. Spatial economics deals with the spatial arrangement of economic and especially production activities in certain areas and examines the reasons that affect their deployment. This discipline is related to the regional economics, which explores the economy of regions. Regionalism in terms of regional development is included in the spatial and regional economics, which studies the effects of deployment of activities to their present and future prosperity (stagnation eventually bankruptcy). International and spatial/regional economics distinguish between each other by different levels of exploration and perception of space that means the assumptions on which the two disciplines are built.

As shown above, international economics examines certain phenomena (e.g. regional trade liberalization) occurring at the state level (between states). Spatial/regional economics deals with the effects of the phenomenon (even the same as in the case of international economics) in different regions within the state. Methodological and matching methods in both disciplines will vary due to the fact that the factors of production are less mobile between countries than between regions within states (this applies mainly to the mobility of the labour force), national economies are less open than the regional economies (measured as the share of external trade to GDP of the area), the cost of international trade between countries are higher than the transaction costs of the exchange between regions, as well as the fact that the institutional and legal framework meaning the environment in which the economic actors manoeuvre, varies much

more between countries than between regions within the same country.

As regards the different perception of space, it can be stated that while international economics did not consider for a long time the space of the nation state, spatial/regional economics has always taken into account the space, despite the fact that for some time did so intuitively. Despite the fact that in 1933 a Swedish economist Bertil Ohlin [16] pointed that the “theory of international trade is in fact nothing more than a theory of international localization”, international economists have long been avoiding the spatial aspects of the economics because it could not be modelled. They used models greatly simplified compared to the real life, which were based on perfect competition and constant returns and zero transaction costs. This means that in those models the countries were displayed as non-spatial dots among which the goods without additional costs is exchanged and factors of production move – see e.g. Paul R. Krugman. Over time these models were extended by the introduction of transport costs, non-traded goods and by reducing the mobility of production factors. However, only the further development of economic theory and mathematics led to the situation that space began to be considered in the international economics. The fundamentals of these considerations were models that started to work with growing revenues of the company and hence imperfect competition.

Unlike international economics the spatial economics always took into account imperfect competition. Even it did so intuitively, the spatial economics operated with this term as rising revenues are the basis of the uneven distribution of economic activities and therefore form the basis of the spatial organization of the world. Assuming only perfect competition and constant or diminishing returns because space does not play any role, economic activities would be evenly distributed in the space and spatial economics in such a case had no merit. Then, when a progress in modelling

of imperfect competition was made and the regional integration led to a blurring of the differences between countries and regions, a new discipline emerges which is called new economic geography. It further builds on the classical theory of localization and regional economics (in terms of works by authors such as Gunar Myrdal, Nicholas Kaldor, Albert Otto Hirschman and others), which further develops their ideas and models. Its importance lies not only in the fact that it brings international economy closer to the reality, but mainly that brings new approaches to the theory of integration. It makes possible to examine the effect of regional integration on the spatial organization of the economy, including their eventual impact on regional inequality (compare Cihelková et al. [6, p. 27–28]).

**The impact of regionalism on regional development.** When capturing the relationships between regionalism and regional development we come out with a hypothesis that these two phenomena may be linked together and the impact of regionalism on regional integration increases with depth. An analysis on the possible relationship between the two phenomena, which was performed, e.g. by A.J. Venables [16], examines three aspects of these relationships: the impact of regional integration on the location of production and the growth of competition and market expansion. The power of influence of regionalism on the economic situation within countries, depending on the depth of integration, can then lead to the fact that from the relations between the Member States an international element will disappear (see below).

Concerning the impact of regional integration on the location of production, it can be assumed, as A. Tesařová [15] does, that there are two cases of possible distribution of activities in space: even and uneven one. The even distribution (without the existence cities) corresponds to the economy in perfect competition with constant returns and non-existing transport costs. The uneven distribution corresponds to the layout

in imperfect competition, where increasing returns and existence of transport cost are the basic conditions for which geographic location is of importance. The prerequisites represent also demand factors. In the second case the allocation of production space is affected by two types of forces of agglomeration: centripetal and centrifugal. The former leads to clustering of economic activities in a certain area (positive externalities of agglomeration), the latter acts in the direction of a parallel spatial arrangement (negative externalities of agglomeration). Among the centripetal forces of agglomeration, which attract firms to certain locations, one can find the size of the market (demand linkage) and the availability of labour, deployment of technologies and the presence of sub-contractors (cost linkage). In terms of sub-contractors the company may prefer locations where the manufacturers of their inputs are present (forward link) or vice versa location with high demand for sub-contracts (backwards link). Among the centrifugal forces that force companies to abandon sites with intensive settlement belong strong competition in the market of production factors (in a place with intensive settlement where there is a high demand for spaces and labour prices are rising); competition on the product market (local demand must be divided among a large number of companies); manufacturing secrets, innovations (which are better protected in a smaller area than in e.g. a cluster of companies in the same industry); negative aspects of major conurbations such as pollution, overpopulation, criminality and other factors.

Whether the centripetal and centrifugal forces outweigh is determined by the amount of the transaction (transport) costs and the degree of the mobility of factors of production. The amount of transaction costs affect whether firms will produce at the point of consumption/sales or whether they will produce at the point of lowest cost and will manage the demand through imports. The relationship between the amount of transaction costs and the balance



and between centripetal and centrifugal forces is described in a U-shaped curve. The extreme localization occurs at the middle of transaction costs while at the extreme levels of costs, on the contrary, the deployment is more balanced. The mobility of capital can have the same effects as the existence of e.g. supplier-buyer relationships between firms. Clearly in the direction of agglomeration operates liberalization of the movement of labour. This may accentuate inequalities between different regions, deepen agglomeration in certain areas and lead to a further decline in the less prosperous regions. In general, the mobility of factors of production will result in such an elastic supply curve of factors that even a small difference in attractiveness between the two areas (e.g. small difference in market size) can cause giant changes in the localization.

Regional integration can have a significant impact on the balance of centripetal and centrifugal forces because it contributes to the reduction of transaction costs (removal of tariffs, eventually non-tariff barriers to trade) and increasing mobility of factors of production (capital movement liberalization or even labour movement). The integration via relieving trade barriers makes companies to meet the demand from a few places (whether it is a final consumer or customer) and thus the integration can act in the direction of the agglomeration. Since the regional integration acts in the direction of reducing transaction costs, from their original and subsequent level will stem the positive or negative effects of integration. Sufficient decrease in transaction costs can act in the direction of unwinding regional disparities, through the transfer of economic activities in space, at the expense of traditional clusters, agglomerations, the original centres of development. In other words it means a compensation of regional disparities in income and economic advancement. Conversely, a shift from high transaction costs to the middle level (e.g. the involvement of countries with the initially highly protected domestic markets into integration) may have

quite the opposite effect and deepen the inequality. As regards the mobility of factors of production, regional agreements seem to liberalize more capital movements rather than labour.

It depends on the form of integration as to what extent the factors are mobile and therefore how strong this pulse will be. If the regional agreement introduce the liberalization of movement of capital and labour, economic relations between the countries involved thus actually lose control and gain the international regional element, as in international economics factors of production are usually considered to be immobile between countries (at least this is true for the labour factor). In reality this situation does not occur, since the agreements that would liberalize the movement of labour are scares, and if there are, in practice do not work much (not only due to the uneconomic reasons, but also because of prevailing of non-tariff barriers). On the other hand, the process of production factors cannot last indefinitely; at some point the agglomeration would become untenable and the centrifugal forces would prevail.

Examining the impact of regional integration on the growth of competition and market expansion is based on the assumption that the country does not change the structure of production and in a given size of the market economies of scale of the firm lead to imperfect competition, which also means less competitive economic environment (firms have monopoly power and production is not perfectly efficient).

In this regard, regional integration has positive effects as it broadens the market and enables companies to realize economies of scale. As a result of stronger competition (when opening the market other businesses access) each company will also seek to rationalize their production and increase efficiency, which can have a positive impact on prices. The positive impact of the regional integration on competition and market expansion is referred to as the effect of declining costs, which is defined

as the price down-sizing of the existing supply of goods. The negative impact can however have a decline from business, in which initially cheaper foreign imports are replaced by more expensive domestic production. A solution is to shift domestic production to cheaper sources of integration within the grouping (compare Cihelková et al. [6, p. 31 – 32]. The specific impacts of regionalism on the Member States and the situation within their economies depend on the depth of integration. Deep integration is bringing the effective unification of markets with a consequence of significant decrease in transaction costs and high mobility of production factors. In this case the impacts on the development of the participating countries may be very significant because even in the event of a decrease in transaction costs, not all regions are the same and some will benefit more from the adjustment process than others.

A.J. Venables [16] who conducted a thorough analysis of the relationships between the decrease in transaction costs and localization industry in the situation of fully mobile factors of production came to a conclusion that the localization of production is the result of efforts of companies in the same industry taking use of the same advantage to be closest to demand and on the other hand, as far as possible from other companies. Given that the form of specialization in production is very sensitive to the level of transaction costs, the economic integration (it means decrease in transaction costs) can lead to a significant change in the nature of production specialization in each area, with all the consequences and costs of adjustment. With the decline in transaction costs, further exacerbates the production specialization of individual regions, where central (economically most attractive) areas will primarily attract imperfectly competitive or supply industries. These findings indicate that regional integration can have a very significant impact on regional development, which may call for a need to influence such action in a common way by regional policy (managed interventions of some bodies,

seeking to change the natural distribution of economic activities and reduce social and economic inequalities between regions) [6, p. 266].

**Conclusions.** Due to the serious political and other factors and long-term trends the world economy entered into its contemporary stage. These factors led to a change in the very nature of world of the economy as a socio-economic system, but also its elements, relationships and mechanisms of functioning (global governance).

From the systemic point of view the world economy, based on two systems (capitalist and socialist ones) converted back into a single market economy. Market relations began to be developed not only in the countries of Central, Eastern and South-eastern Europe but also in Asian countries. For instance in China was successfully implemented a model of the socialist market economy. The world economy, based on steep political and socio-economic differences between countries in two different systems changed into a world economy with deepening differences at the economic level, it means the differentiation of individual countries and groups of countries. Globalization and interdependence lead to inequalities in the distribution of scientific and technological progress, which has resulted in global polarization of income and wealth, rising unemployment, absolute poverty, environmental problems, energy problems, etc. The world economy associated with the development of capitalist and socialist division of labour is changing into the world economy connected with the global division of labour (across states and groups of states). Broad international cooperation, not only the economic one is required when resolving the problems arising not only from the differentiation of the global economy but also from the deepening of the global problems of a mankind.

While due to the impact of globalization there were developed new organizational structures in the world economy, its

fundamentals remain the traditional elements – the economy of nation states, whose position is weakening, however, in favour of transnational actors, especially transnational corporations and regional integration groupings. States and the relations between states are increasingly influenced by international institutions (organizations and regimes) of a cooperative model, which determine the rules of mutual relations as well as the rights and obligations of these actors. Trends of transnationalization and regional and global institutionalization of the global economy are accompanied by various types of competition of national economic systems. The new phase of globalization and the events at the early 1990s gave the way to a unipolar domination over the world. High rates of growth, a growing share of international trade and capital flows, as well as increasing relative weight in the global economic systems characterize the so called emerging markets (emerging economies) among developing countries or eventually transition economies, which change the balance of forces in the world economy. While the traditional role of most developed countries (centres) weakens, major developing and transition economies (such as Brazil, Russia, India, and China) are gaining in strength and its potential and competition threaten the strongest actors including the USA.

As a result of long term tendencies, liberalization and other new phenomena, the dynamics of international economic relations is accelerating and entities in the world economy increasingly interact via flows of goods, services, capital, labour and knowledge/information. The dynamics of international relations significantly affects not only technological advances, but also the institutional changes. Changes underway in manufacturing are reflected in international trade, affecting its scope, geographical focus and commodity structure, which in turn strengthen the processes of internationalization and globalization of production. Increasing mutual interconnection of national economies

is not realized only in the area of international trade, but also increasingly in imports and exports of factors that lead to the growth of the national product as well as the world product. External economic environments tends to create conditions enabling to keep global competitiveness, however they do not need to be always in line with the principles of sustainable development of the world economy. Thus a concept of global governance is becoming crucial when trying to resolve the questions of the future development of the world economy. Due to its complexity this concept leads to searching for suitable, correct and effective responses of the economy (society) to the current changes in the world economy.

Liberalization approaches that can be found from 1980s as a part neoconservative economic programs in a number developed countries and from 1990s as a component of transformational programs of the former centrally planned economies (privatization, deregulation, price liberalization, liberalization of external relations) in a given period become a part of the recommendations by international economic organizations for the solution of economic problems in the world. The liberalization of external relations means removing barriers that hamper the natural functioning of market forces in the national economy as well as on regional and global scale. Regionalism in this sense is the second best solution. It represents the possibility of nation states to overcome through regional integration groups their relative “smallness” and enter into the world economy. Regional preferential agreements are concluded according to exemptions from WTO rules and there are also registered there.

Liberalization also affects regional development within states. The current perception of the region as a socio-spatial structure has been developed since 1980s, especially in the context of the new regional geography. Regionalism in this sense reflects the way “in which society forms the space or how sense it makes.” “Region as such

serves as the environment for the existence of networks of cultural, economic, political and other processes and relationships. Regions are sometimes based on the grounds of collective social classification, but more frequently on numerous activities, through which is generated and gradually institutionalized and reproduced the story of specific regional units and regional identity in the wider environment of a spatial division of labour” [4, p. 4].

The main objective of regionalism (and liberalization as such) is to increase the efficiency (growth and development) and the competitiveness of the economy by strengthening free competition or allowing entry of foreign competition on the domestic market, respectively. The liberalization of international trade in goods and services involves reducing tariffs and removing non-tariff barriers to trade. Liberalization of capital movements abolishes restrictions on inflows and outflows through various restrictions, such as non-receipt of foreign loans or prohibition of foreign investment in certain sectors. Similarly, liberalization of labour migration and transfer of knowledge and information eliminates barriers to movement of factors of production. As regionalism contributes to reducing transaction costs and increasing

mobility of production factors, it affects the balance of centripetal and centrifugal forces in the region and thus regional development. This also affects the location of production and the increase in competitiveness and market expansion in the region. In case of deep integration the impact on the regions may be very important and not all of them will deal with that successfully.

The European Union meets the conclusions by A.J. Venables [16]. With the implementation of the programme to complete the internal market in the second half of the 1980s there was a significant decrease in transaction costs and factors of production are at least theoretically fully mobile. Due to the regional integration the examination of the European economy shifted from the field of international economics in regional economics, because the international element of the relations between the Member States thanks to a deep integration virtually disappeared (e.g. trade between Member States is no longer considered a classic foreign /international trade). The EU is also good evidence of the existence of regional policy as one of the shared policies of the integration. It is even possible to trace a clear link between the deepening of integration and strengthening of the significance of this policy.

## REFERENCES

1. Amin A. An Institutional Perspective on Regional Economic Development // International Journal of Urban and Regional Research. 1999. No 23(2). P. 365–378.
2. Andel J. Sociogeografická regionalizace. 1. vyd. Ústí nad Labem: Univerzita Jana Evangelisty Purkyně v Ústí nad Labem. 1996.
3. Bhagwati J.N. Regionalism, and Multilateralism: An Overview. In De Melo, A.J.; Panagariya, A. (eds.). New Dimensions in Regional Integration. New York: Cambridge University Press. 1995.
4. Chromý P. Region a regionalismus // Geografické rozhledy. 2009. No 1/09–10. P. 2–5.
5. Cihelková E. Nový regionalismus: teorie a projevy ve světové ekonomice // Politická ekonomie. 2004. Č. 6. P. 807 – 822.
6. Cihelková E. a kol. Nový regionalismus – teorie a případová studie (Evropská unie). 1. vydání. Praha: Nakladatelství C.H. Beck, 2007.
7. Cihelková E. Aktuální otázky světové ekonomiky. Proměny a governance. 1. vydání. Praha: Kamil Mařík – PROFESSIONAL PUBLISHING, 2012.
8. Fujita M., Krugman P.R., Venables A.J. The Spatial Economy: Cities, Regions

- and International Trade. Cambridge: MIT Press, 1999.
9. Grugel J.B. New Regionalism and Mode of Governance – Comparing US and EU Strategies in Latin America // *European Journal of International Relations*. 2004. Vol. 10. No. 4. P. 605–626.
  10. Hettine B. The New Regionalism Revisited / In Södrbaum F., Shaw T.M. *Theories of New Regionalism*. Houndmills: Palgrave Mac Millan, 2005.
  11. Keating M. Rethinking the Region: Culture, Institutions and Economic Development in Catalonia and Galicia // *European Urban and Regional Studies*. 2001. № 8 (3). P. 217–234.
  12. Keating M. Territorial Politics and the New Regionalism / In Heywood P. et al. *Development in West European Politics 2*. New York: Palgrave, 2002. P. 202–220.
  13. Kuhn T.S. *Struktura vědeckých revolucí*. Praha: Oikoymenth, 1997.
  14. Paasi A. The institutonalization of regions: a theoretical Framework for understanding the emergence of regions and the constitution of regional identity // *Fennia*, 164. 1986. Č. 1. P. 105–146.
  15. Tesarova A. Nový regionalismus a regionální rozvoj // *Současná Evropa a Česká republika*. 2004. Č. 2. P. 128–148.
  16. Venables A.J. Geography and Specialisation: Industrial Belts on a Circular Plain / In Baldwin R.E., Cohen D., Sapir A., Venables A.J. (eds.). *Market Integration, Regionalism and the Global Economy*. Cambridge: Cambridge University Press, 1999.